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25 JANUARY 1955

TO: CHIEF, FINANCE DIVISION  
FROM: CHIEF, INDUSTRIAL CONTRACT AUDIT BRANCH  
SUBJECT: REVIEW COMMITTEE DISCUSSION HELD WITH COLONEL HERMAN O. LANE

1. IN CONFIRMATION OF OUR BRIEF DISCUSSION WITH RESPECT TO THE ABOVE SUBJECT, IT IS DESIRED TO ADVISE FORMALLY THAT COLONEL LANE REPORTED TO THE INDUSTRIAL CONTRACT AUDIT BRANCH AT APPROXIMATELY 9 AM ON 25 JANUARY 1955, AND DEPARTED, IN CUSTODY OF THE UNDERSIGNED, TO REGISTRY, AT APPROXIMATELY 11 AM. THE DISCUSSION WAS QUITE AFFABLE, AND FOR THE MOST PART, COVERED ONLY GENERAL FUNCTIONS OF THE BRANCH, SINCE COLONEL LANE APPEARED TO HAVE A GOOD SPEAKING KNOWLEDGE OF INDUSTRIAL AUDIT FUNCTIONS. SPECIFICALLY, HE WANTED TO KNOW THE APPROXIMATE NUMBER OF CONTRACTS THAT ARE CURRENTLY BEING ADMINISTERED IN THIS BRANCH. MY REPLY TO HIM WAS "APPROX-  
[REDACTED] WHICH CONTAIN AN OVERALL MONETARY CONSIDERATION OF APPROXIMATELY [REDACTED] 25X1A1A  
[REDACTED] HE WAS FURTHER ADVISED THAT PROGRESS PAYMENTS TO DATE, UNDER THE CURRENT CONTRACTS, AMOUNTED TO APPROXIMATELY 70% OF THE MAXIMUM CONTRACTUAL CON-  
SIDERATIONS.

2. COLONEL LANE WAS PARTICULARLY INTERESTED IN THE PERCENT OF OUR CONTRACTS THAT ARE AWARDED ON A BASIS WHERE AGENCY INTEREST IS DISCLOSED. HE WAS ADVISED THAT APPROXIMATELY 80% OF THE CONTRACTS ADMINISTERED IN THIS BRANCH SHOW AGENCY INTEREST. HE ASKED HOW MANY OF THE CONTRACTS ADMINISTERED BY THE FISCAL DIVISION WOULD SHOW AGENCY INTEREST, AND I ADVISED HIM THAT THIS QUESTION WOULD, OF NECESSITY, BE FOR ANSWERING BY THE CHIEF, FISCAL DIVISION. HE STILL WANTED MY BEST ESTIMATE ON THIS QUESTION, AND WAS ADVISED THAT, IN MY OPINION, 100% OF CONTRACTS, PURCHASE ORDERS AND OTHER TYPES OF PROCUREMENT AGREEMENTS, HANDLED SOLELY BY THE FISCAL DIVISION, WOULD SHOW GOVERNMENT AND AGENCY INTEREST. HE WAS FURTHER ADVISED THAT WE ARE AWARE OF THE FACT THAT MOST OF OUR GOVERNMENT CONTRACTORS ARE SECURITY CLEARED AND THEY SIGN SECRECY AGREEMENTS AND PROMISE NOT TO DISCLOSE AGENCY INTEREST EXCEPT WHERE ABSOLUTELY ESSENTIAL.

[REDACTED]

4. COLONEL LANE EXAMINED ONE AUDIT REPORT CONSUMMATED IN THIS BRANCH, AND HIS COMMENTS WERE VERY FAVORABLE. HE ASKED SEVERAL ROUTINE QUESTIONS WITH RESPECT TO PROCESSING OF ACCOUNTS, MAINTAINING ACCOUNTABLE RECORDS, AND EXPRESSED SATISFACTION THAT OUR CONTROLS WOULD AVOID DUPLICATION OF PAYMENT. HE LOOKED AT A NUMBER OF "RECORD OF PAYMENT" SHEETS, AND MADE SEVERAL COMMENTS ALONG THE LINES, "I SEE AN OLD FRIEND HERE", "THE SIGNAL CORPS HAS HELD CONTRACTS WITH THIS FIRM", ETC.

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**SECRET**

5. THE COLONEL MET ALL OF THE EMPLOYEES IN THE INDUSTRIAL CONTRACT AUDIT BRANCH AND IN MANY CASES MADE A FEW COMMENTS TO THE INDIVIDUAL. AT THE CONCLUSION OF THE DISCUSSION, HE ASKED IF, IN MY OPINION, WE HAD SUFFICIENT CONTROL OF OUR OPERATIONS TO INSURE THAT FIRMS WITH WHOM WE ARE DOING BUSINESS WERE NOT GETTING UNDOE PROFIT FROM THE GOVERNMENT. TO THIS POINT HE RECEIVED ASSURANCE. IN DEPARTING, HE CALLED THE FIRST TWO EMPLOYEES THAT HE MET IN THE BRANCH BY NAME, AND EXPRESSED HIS PLEASURE IN HAVING MET THEM.



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CHIEF, INDUSTRIAL CONTRACT AUDIT BRANCH

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